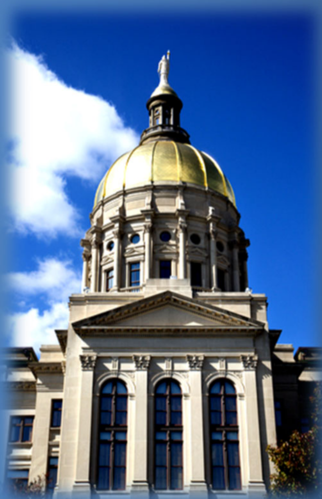

DALTON STATE COLLEGE
DALTON, GEORGIA

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2021

A Member Institution of the
University System of Georgia

DALTON STATE COLLEGE

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Dr. Margaret Venable, President
Dalton State College

Ladies and Gentlemen:

This Management Report contains information pertinent to Dalton State College's compliance with the requirements of the Southern Association of Colleges and Schools Commission on Colleges (COC) Standard 13.2 (Financial resources) as of and for the year ended June 30, 2021. Additionally, we audited Dalton State College's Federal Student Aid programs for the year ended June 30, 2021 to meet the requirements of COC Standard 13.6. Included in this report is a section on findings and other items for any matters that came to our attention during our engagement, including results of our audit of the Federal Student Aid programs. The other information contained in this report is the representation of management. Accordingly, we do not express an opinion or any form of assurance on it.

Additionally, we have performed certain procedures at Dalton State College to support our audit of the basic financial statements of the State of Georgia presented in the *State of Georgia Annual Comprehensive Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2021.

This report is intended solely for the information and use of the management of Dalton State College, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Greg S. Griffin
State Auditor

December 13, 2021

SELECTED FINANCIAL INFORMATION

DALTON STATE COLLEGE
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2021

EXHIBIT "A"

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	9,492,560
Cash and Cash Equivalents (Externally Restricted)		101,022
Accounts Receivable, Net		
Federal Financial Assistance		2,561,779
Affiliated Organizations		92,642
Other		679,273
Inventories		5,666
Prepaids		116,555
Total Current Assets		13,049,497
Noncurrent Assets		
Accounts Receivable, Net		
Due From USO - Capital Liability Reserve Fund		46,314
Capital Assets, Net		55,838,781
Total Noncurrent Assets		55,885,095
Total Assets		68,934,592
Deferred Outflows of Resources		12,147,016
LIABILITIES		
Current Liabilities		
Accounts Payable		703,549
Salaries Payable		134,320
Benefits Payable		124,507
Contracts Payable		27,303
Retainage Payable		44,369
Advances (Including Tuition and Fees)		926,784
Deposits		22,803
Deposits Held for Other Organizations		7,555
Lease Purchase Obligations		161,870
Compensated Absences		595,769
Total Current Liabilities		2,748,829
Noncurrent Liabilities		
Lease Purchase Obligations		5,380,566
Compensated Absences		410,714
Net Other Post Employment Benefits Liability		38,797,741
Net Pension Liability		21,393,116
Total Noncurrent Liabilities		65,982,137
Total Liabilities		68,730,966
Deferred Inflows of Resources		5,199,169
NET POSITION		
Net Investment in Capital Assets		49,793,622
Unrestricted (Deficit)		(42,642,149)
Total Net Position (Deficit)	$	7,151,473

DALTON STATE COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2021

EXHIBIT "B"

OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowance)	$	9,606,287
Grants and Contracts		
Federal		416,425
State		115,346
Other		1,295,100
Sales and Services		427
Auxiliary Enterprises (Net of Scholarship Allowance)		
Residence Halls		606,038
Bookstore		51,795
Food Services		715,244
Parking /Transportation		482,282
Health Services		225,331
Intercollegiate Athletics		918,592
Other Organizations		348,653
Other Operating Revenues		813,967
Total Operating Revenues		15,595,487
OPERATING EXPENSES		
Faculty Salaries		11,319,474
Staff Salaries		8,771,347
Employee Benefits		10,348,763
Other Personal Services		195,608
Travel		42,451
Scholarships and Fellowships		8,851,322
Utilities		661,572
Supplies and Other Services		9,224,131
Depreciation		2,289,740
Total Operating Expenses		51,704,408
Operating Loss		(36,108,921)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		16,967,928
Grants and Contracts		
Federal		14,973,813
Gifts		1,709,474
Investment Income (Endowments, Auxiliary and Other)		430
Interest Expense (Capital Assets)		(321,497)
Net Nonoperating Revenues		33,330,148
Loss Before Other Revenues, Expenses, Gains, or Losses		(2,778,773)
Capital Grants and Gifts		
State		73,307
Other		5,800
Total Other Revenues, Expenses, Gains or Losses		79,107
Change in Net Position		(2,699,666)
Net Position - Beginning of Year		9,851,139
Net Position - End of Year	$	7,151,473

DALTON STATE COLLEGE
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2021

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 14,327,978
Grants and Contracts (Exchange)	(682,982)
Payments to Suppliers	(17,913,279)
Payments to Employees	(20,102,221)
Payments for Scholarships and Fellowships	(8,851,322)
Other Receipts	1,883
Net Cash Used by Operating Activities	(33,219,943)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	16,967,928
Gifts and Grants Received for Other than Capital Purposes	17,322,362
Net Cash Flows Provided by Non-Capital Financing Activities	34,290,290
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	409,372
Purchases of Capital Assets	(1,393,655)
Principal Paid on Capital Debt and Leases	(152,077)
Interest Paid on Capital Debt and Leases	(347,586)
Net Cash Used by Capital and Related Financing Activities	(1,483,946)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	430
Net Decrease in Cash and Cash Equivalents	(413,169)
Cash and Cash Equivalents - Beginning of Year	10,006,751
Cash and Cash Equivalents - End of Year	$ 9,593,582
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	$ (36,108,921)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	2,289,740
Change in Assets and Liabilities:	
Receivables, Net	(2,606,781)
Inventories	2,657
Prepaid Items	(18,119)
Accounts Payable	(105,712)
Salaries Payable	(30,968)
Benefits Payable	(1,108)
Contracts Payable	14,950
Retainage Payable	18,872
Deposits	8,864
Advances (Including Tuition and Fees)	648,455
Funds Held for Others	1,883
Compensated Absences	62,019
Net Pension Liability	2,447,736
Net Other Post-Employment Benefit Liability	5,683,678
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	(1,370,316)
Deferred Outflows of Resources	(4,156,872)
Net Cash Used by Operating Activities	$ (33,219,943)
NONCASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	$ 2,708
Current Year Accruals Related to Capital Financing Activities	$ 122,758
Accrual of Capital Asset Related Payables	$ 9,215
Amortization of Deferred Gain of Capital Debt Refunded	$ 26,089

DALTON STATE COLLEGE
STATEMENT OF FIDUCIARY NET POSITION - (GAAP BASIS)
JUNE 30, 2021

		CUSTODIAL FUNDS
ASSETS		
Accounts Receivable		
Other	$	740,443
LIABILITIES		
Cash Overdraft		519,616
Accounts Payable		295
Deposits Held for Other Organizations		26,860
Total Liabilities		546,771
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	$	193,672

DALTON STATE COLLEGE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2021

EXHIBIT "E"

	CUSTODIAL FUNDS
ADDITIONS	
Federal Financial Aid	$ 4,755,450
State Financial Aid	5,097,022
Other Financial Aid	508,667
Clubs and Other Organizations Fund Raising	3,949
Public-Private Partnership Passthrough	1,529,811
Total Additions	11,894,899
DEDUCTIONS	
Scholarships and Other Student Support	10,339,541
Student Organizations Support	4,017
Other Deductions	1,472,766
Total Deductions	11,816,324
Change in Net Position	78,575
Net Position - Beginning	115,097
Net Position - Ending	$ 193,672

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Dalton State College (Institution) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

REPORTING ENTITY

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Institution is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The Institution does not have the right to sue/be sued without recourse to the State. The Institution's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Institution is not legally separate from the State. Accordingly, the Institution is included within the State's basic financial statements as part of the primary government as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities and fiduciary fund of the State that is attributable to the transactions of the Institution. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2021, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's ACFR. The most recent State of Georgia ACFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/statewide-reporting/acfr.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Institution's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Institution's business-type activities and fiduciary fund financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The Institution reports the following fiduciary fund:

Custodial funds – Accounts for activities resulting from the Institution acting as an agent or fiduciary for various governments, companies, clubs or individuals.

NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2021, the Institution adopted GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, it defines a majority equity interest and specifies that majority equity interest in a legal separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The adoption of this statement does not have an impact on the Institution's financial statements.

NET POSITION

The Institution's net position is classified as follows:

Net investment in capital assets represents the Institution's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC.

Restricted - nonexpendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. Each institution maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the Institution is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institution, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institution's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2021 are classified in the accompanying statement of net position as follows:

Statement of Net Position		
Current		
Cash and Cash Equivalents	$	9,492,560
Cash and Cash Equivalents (Externally Restricted)		101,022
Statement of Fiduciary Net Position		
Cash Overdraft		(519,616)
	$	9,073,966

Cash on hand, deposits and investments as of June 30, 2021 consist of the following:

Cash on Hand	$	16,400
Deposits with Financial Institutions		8,525,361
Investments		532,205
	$	9,073,966

DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institution's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institution) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Letters of credit issued by a Federal Home Loan Bank.

7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Institution participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2021, the bank balances of the Institution’s deposits totaled $9,038,333. This balance includes deposits in fiduciary funds as these balances are not separable from the holdings of the USG. None of these deposits were exposed to custodial credit risk.

INVESTMENTS

The Institution maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

The following table summarizes the valuation of the Institution’s investments measured at fair value on a recurring basis as of June 30, 2021.

	Fair Value
Investment Pools	
Office of the State Treasurer	
Georgia Fund 1	$ 532,205

The Institution holds positions in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Institution does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the U.S. Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 36 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Institution's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds, and attempts to match investments with expected cash requirements.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2021:

	Business-Type Activities	Fiduciary Fund
Student Tuition and Fees	$ 258,118	$ 13,649
Auxiliary Enterprises and Other Operating Activities	67,448	-
Federal Financial Assistance	2,561,779	328,422
Georgia Student Financing Commission	-	395,367
Georgia State Financing and Investment Commission	122,758	-
Due from Affiliated Organizations	92,642	-
Due from Other USG Institutions	212,814	-
Other	256,393	3,005
	3,571,952	740,443
Less Allowance for Doubtful Accounts	191,944	-
Net Accounts Receivable	$ 3,380,008	$ 740,443

NOTE 4: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	$ 1,034,665	$ -	$ -	$ 1,034,665
Capitalized Collections	68,288	-	-	68,288
Construction Work-In-Progress	3,057,154	-	3,057,154	-
Total Capital Assets, Not Being Depreciated	4,160,107	-	3,057,154	1,102,953
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	1,346,095	-	-	1,346,095
Building and Building Improvements	73,317,401	4,192,456	-	77,509,857
Facilities and Other Improvements	2,427,236	-	-	2,427,236
Equipment	5,470,322	259,613	87,429	5,642,506
Library Collections	6,139,051	7,955	3,137	6,143,869
Total Capital Assets Being Depreciated/Amortized	88,700,105	4,460,024	90,566	93,069,563
Less: Accumulated Depreciation/Amortization:				
Infrastructure	1,194,840	9,118	-	1,203,958
Building and Building Improvements	23,772,629	1,728,714	-	25,501,343
Facilities and Other Improvements	1,663,923	60,075	-	1,723,998
Equipment	3,678,260	402,166	87,429	3,992,997
Library Collections	5,824,909	89,667	3,137	5,911,439
Total Accumulated Depreciation/Amortization	36,134,561	2,289,740	90,566	38,333,735
Total Capital Assets, Being Depreciated/Amortized, Net	52,565,544	2,170,284	-	54,735,828
Capital Assets, Net	$ 56,725,651	$ 2,170,284	$ 3,057,154	$ 55,838,781

A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2021	$ 2,289,740
2020	$ 2,232,022
2019	$ 2,027,469

NOTE 5: ADVANCES (INCLUDING TUITION AND FEES)

Advances, including tuitions and fees, consisted of the following at June 30, 2021:

		Current Liabilities
Prepaid Tuition and Fees	$	786,062
Other Advances		140,722
Total Advances	$	926,784

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liability for the year ended June 30, 2021 was as follows:

		Balance July 1, 2020		Additions		Reductions		Balance June 30, 2021		Current Portion
Leases										
Lease Obligations	$	5,694,513	$	-	$	152,077	$	5,542,436	$	161,870
Other Liabilities										
Compensated Absences		944,464		606,924		544,905		1,006,483		595,769
Total Long-Term Liabilities	$	6,638,977	$	606,924	$	696,982	$	6,548,919	$	757,639

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2021 and June 30, 2020 consisted of the following:

		Fiscal Year 2021		Fiscal Year 2020
Deferred Outflows of Resources				
Deferred Loss on Defined Benefit Pension Plans (See Note 11)	$	5,786,470	$	5,405,799
Deferred Loss on OPEB Plan (See Note 14)		6,360,546		2,584,345
Total Deferred Outflows of Resources	$	12,147,016	$	7,990,144
Deferred Inflows of Resources				
Deferred Gain on Debt Refunding	$	493,508	$	519,597
Unavailable Revenues		-		2,708
Deferred Gain on Defined Benefit Pension Plans (See Note 11)		540,475		1,293,562
Deferred Gain on OPEB Plan (See Note 14)		4,165,186		4,782,415
Total Deferred Inflows of Resources	$	5,199,169	$	6,598,282

NOTE 8: NET POSITION

The breakdown of business-type activity net position for the Institution at June 30, 2021 is as follows:

Net Investment in Capital Assets	$ 49,793,622
Unrestricted	
Auxiliary Operations	7,762,524
Reserve for Encumbrances	2,269,327
Reserve for Inventory	9,770
Capital Liability Reserve Fund	46,314
Other Unrestricted (Deficit)	(52,730,084)
Sub-Total (Deficit)	(42,642,149)
Total Net Position	$ 7,151,473

Changes in Net Position for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Net Investment in Capital Assets	$ 50,511,541	$ 1,554,947	$ 2,272,866	$ 49,793,622
Restricted Net Position	30,904	16,879,791	16,910,695	-
Unrestricted Net Position	(40,691,306)	32,446,448	34,397,291	(42,642,149)
Total Net Position	$ 9,851,139	$ 50,881,186	$ 53,580,852	$ 7,151,473

NOTE 9: ENDOWMENTS

DONOR RESTRICTED ENDOWMENTS

The institution did not have donor restricted endowments at June 30, 2021.

NOTE 10: LEASES

The Institution is obligated under various capital and operating leases for the use of real property and equipment.

CAPITAL LEASES

The Institution acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. §50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institution. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institution's principal and interest payments related to capital leases for fiscal year 2021 were $152,077 and $347,586, respectively.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2021:

Description	Gross Amount	Accumulated Depreciation	Net Assets Held Under Capital Lease at June 30, 2021	Outstanding Balances per Lease Schedules at June 30, 2021
	(+)	(-)	(=)	
Buildings and Building Improvements	7,137,221	2,530,053	4,607,168	5,542,436

The following schedule lists the pertinent information for each of the Institution's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
DSC Parking Deck	USG Foundation	$ 7,137,221	30 years	12/2009	6/2040	$ 5,542,436 (1)

(1) These capital leases are related party transactions.

Certain capital leases provided for renewal and/or purchase options. Generally, purchase options are bargain prices of one dollar exercisable at the expiration of the lease terms.

OPERATING LEASES

The Institution leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriations from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institution has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institution's operating lease expense for fiscal year 2021 was $131,301, which includes payments to related parties of $24,000. The Institution is obligated to pay these related parties a total of $27,000 in the next fiscal year.

FUTURE COMMITMENTS

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2021, are as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2022	$ 541,313	$ 127,832
2023	542,200	37,232
2024	542,644	36,778
2025	547,646	-
2026	547,459	-
2027 - 2031	2,778,236	-
2032 - 2036	2,834,427	-
2037 - 2041	2,038,633	-
Total Minimum Lease Payments	$ 10,372,558	$ 201,842
Less: Interest	3,787,100	
Less: Executory Costs	1,043,022	
Principal Outstanding	$ 5,542,436	

NOTE 11: RETIREMENT PLANS

The significant retirement plans that the Institution participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan Description
All teachers of the Institution as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided
TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to

the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The Institution's contractually required contribution rate for the year ended June 30, 2021 was 19.06% of the Institution's annual payroll. The Institution's contributions to TRS totaled $2,083,806 for the year ended June 30, 2021.

General Information about the Employees' Retirement System

Plan Description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2021 was 24.66% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The Institution's contributions to ERS totaled $18,150 for the year ended June 30, 2021. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Institution reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The Institution's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2020. At June 30, 2020, the Institution's TRS proportion was 0.087981%, which was a decrease of 0.000035% from its proportion measured as of June 30, 2019. At June 30, 2020, the Institution's ERS proportion was 0.001914%, which was an increase of 0.001440% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Institution recognized pension expense of $3,376,682 for TRS and $39,252 for ERS. At June 30, 2021, the Institution reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 928,163	$ -	$ 983	$ -
Changes of assumptions	2,195,206	-	-	-
Net difference between projected and actual earnings on pension plan investments	513,314	-	1,140	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,759	538,199	34,949	2,276
Contributions subsequent to the measurement date	2,083,806	-	18,150	-
Total	$ 5,731,248	$ 538,199	$ 55,222	$ 2,276

The Institution's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2022	$ 468,093	$ 20,215
2023	$ 1,034,758	$ 12,261
2024	$ 1,117,450	$ 1,322
2025	$ 488,942	$ 998

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.50%
Salary increases	3.00 – 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 with the exception of the long-term assumed rate of return.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	ERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.10)%
Domestic large equities	51.00%	46.20%	8.90%
Domestic small equities	1.50%	1.30%	13.20%
International developed market equities	12.40%	12.40%	8.90%
International emerging market equities	5.10%	5.10%	10.90%
Alternatives	-%	5.00%	12.00%
Total	100.00%	100.00%	

* Rates shown are net of inflation

Discount Rate: The discount rate used to measure the total TRS and ERS pension liability was 7.25% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institution's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institution's proportionate share of the net pension liability calculated using the discount rate, as well as what the Institution's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 33,796,445	$ 21,312,442	$ 11,079,139

Employees' Retirement System:	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Proportionate share of the net pension liability	$ 113,495	$ 80,674	$ 52,666

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at www.trsga.com/publications and www.ers.ga.gov/financials, respectively.

B. Defined Contribution Plan

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68 (a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2021, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institution and the covered employees made the required contributions of $729,484 (9.24%) and $473,691 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

NOTE 12: RISK MANAGEMENT

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The Institution's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The Institution is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

NOTE 13: CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Institution, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to O.C.G.A. § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the O.C.G.A. § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The Institution's membership in the Plan consisted of the following at June 30, 2021:

Active Employees	289
Retirees or Beneficiaries Receiving Benefits	152
Retirees Receiving Life Insurance Only	20
Total	461

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The Institution pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2021 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. For employees hired on or after January 1, 2013 and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2021, the Institution contributed $828,588 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Institution reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2020. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The Institution's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the Institution's proportion was 0.727405%, which was a decrease of 0.013142% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Institution recognized OPEB expense of $2,118,835. At June 30, 2021 the Institution reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,970,206	$ 155,437
Changes of assumptions	3,561,752	2,766,711
Net difference between projected and actual earnings on OPEB plan investments	-	12,076
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,230,962
Contributions subsequent to the measurement date	828,588	-
Total	$ 6,360,546	$ 4,165,186

The Institution's contributions subsequent to the measurement date of $828,588 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2022	$	(112,135)
2023	$	(96,269)
2024	$	208,234
2025	$	229,821
2026	$	308,618
Thereafter	$	828,503

Actuarial assumptions

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of May 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent Actuarial gains/losses.
Asset Method	Fair Value

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2020 2.21% from Bond Buyer GO 20 - Bond Municipal Bond Index Interest Rate as of 6/30/2019 3.50% from Bond Buyer GO 20 - Bond Municipal Bond Index Long-term Rate of Return 3.75% General Inflation 2.10% Salary Growth 4.00%
Mortality Rates	Pub-2010 for Teachers (headcount weighted) projected with Scale MP-2019
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.7%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend rate schedule was updated to remove excise tax adjustments. Mortality improvement scale was updated from MP-2018 to MP-2019. The discount rate was update from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020. The withdrawal rates were updated to better reflect the anticipated future experience as the result of an assumption study. The coverage election assumption was updated to better reflect anticipated future experience as the result of an assumption study. The spousal coverage assumption and the spousal age difference assumption were updated to better reflect anticipated future experience as the result of an assumption study.

Plan Changes

HRA cost sharing for employees hired on or after January 1, 2013 and retiring after January 1, 2018 is based on a policy that ties years of service to the amount the USG contributes based on 22-tiers ranging from 100% for employees retiring with 30 years of service to 21% for employees retiring with 10 years of service.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	- %	70%
Equity Allocation	4.51%	30%

Discount Rate

The Plan's projected fiduciary net position at the end of 2023 is $0, based on the valuation completed for the fiscal year ending June 30, 2020. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on Plan investments of 3.75% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 2.21% from the Bond Buyers GO 20-Bond Municipal Bond Index.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the Institution's proportionate share of the net OPEB liability, as well as what the Institution's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%) or 1% (3.21%) higher than the current discount rate (2.21%):

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
Proportionate Share of the Net OPEB Liability	$ 47,297,940	$ 38,797,741	$ 31,994,891

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Institution's proportionate share of the net OPEB liability, as well as what the Institution's proportionate shares of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	$ 32,169,368	$ 38,797,741	$ 47,202,491
Pre-Medicare Eligible	5.7% decreasing to 3.5%	6.7% decreasing to 4.5%	7.7% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at www.usg.edu/fiscal_affairs/financial_reporting.

SUPPLEMENTARY INFORMATION

DALTON STATE COLLEGE
BALANCE SHEET (STATUTORY BASIS)
BUDGET FUND
JUNE 30, 2021

SCHEDULE "1"

ASSETS		
Cash and Cash Equivalents	$	871,248.77
Investments		
Accounts Receivable		
Federal Financial Assistance		2,652,601.17
Other		985,057.07
Prepaid Expenditures		89,127.00
Inventories		5,666.15
Other Assets		166,500.00
Total Assets	$	4,770,200.16
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Payroll	$	123,401.46
Encumbrances Payable		2,199,637.76
Accounts Payable		322,496.01
Unearned Revenue		760,384.75
Funds Held for Others		6,759.54
Total Liabilities		3,412,679.52
Fund Balances		
Reserved		
Department Sales and Services		93,818.09
Indirect Cost Recoveries		193,817.56
Technology Fees		544,438.15
Restricted/Sponsored Funds		376.05
Uncollectible Accounts Receivable		152,345.10
Inventories		9,770.31
Tuition Carry-Over		330,953.67
Unreserved		
Surplus		32,001.71
Total Fund Balances		1,357,520.64
Total Liabilities and Fund Balances	$	4,770,200.16

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

DALTON STATE COLLEGE
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2021

	Original Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Teaching				
State Appropriation				
State General Funds	$ 16,811,010.00	$ 17,051,010.00	$ 17,051,010.00	$ -
Federal Coronavirus Relief Funds	-	4,435,276.00	4,416,627.09	-
Other Funds	27,737,342.00	28,350,790.00	27,749,985.70	1,160,312.05
Total Operating Activity	$ 44,548,352.00	$ 49,837,076.00	$ 49,217,622.79	$ 1,160,312.05

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Funds Available Compared to Budget			Expenditures Compared to Budget		Excess of Funds Available
Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive	Over Expenditures
$ -	$ 17,051,010.00	$ -	$ 17,045,859.02	$ 5,150.98	$ 5,150.98
-	4,416,627.09	(18,648.91)	4,416,627.09	18,648.91	-
-	28,910,297.75	559,507.75	27,763,089.57	587,700.43	1,147,208.18
$ -	$ 50,377,934.84	$ 540,858.84	$ 49,225,575.68	$ 611,500.32	$ 1,152,359.16

DALTON STATE COLLEGE
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2021

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2020 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	$ 45,143.58	$ -	$ (45,143.58)	$ 8,444.81
Federal Coronavirus Relief Funds	-	-	-	-
Other Funds	1,198,250.94	(1,160,312.05)	(37,938.89)	16,336.35
Total Teaching	1,243,394.52	(1,160,312.05)	(83,082.47)	24,781.16
Prior Year Reserves				
Not Available for Expenditure				
Inventories	8,535.03	-	-	-
Uncollectible Accounts Receivable	171,845.29	-	-	-
Budget Unit Totals	$ 1,423,774.84	$ (1,160,312.05)	$ (83,082.47)	$ 24,781.16

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Other Adjustments	Early Return Fiscal Year 2021 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance: Reserved	Surplus	Total
$ (1,235.28)	$ -	$ 5,150.98	$ 12,360.51	$ -	$ 12,360.51	$ 12,360.51
-	-	-	-	-	-	-
19,500.19	-	1,147,208.18	1,183,044.72	1,163,403.52	19,641.20	1,183,044.72
18,264.91	-	1,152,359.16	1,195,405.23	1,163,403.52	32,001.71	1,195,405.23
1,235.28	-	-	9,770.31	9,770.31	-	9,770.31
(19,500.19)	-	-	152,345.10	152,345.10	-	152,345.10
$ -	$ -	$ 1,152,359.16	$ 1,357,520.64	$ 1,325,518.93	$ 32,001.71	$ 1,357,520.64

	Reserved	Surplus	Total
Department Sales and Services	$ 93,818.09	$ -	$ 93,818.09
Indirect Cost Recoveries	193,817.56	-	193,817.56
Technology Fees	544,438.15	-	544,438.15
Restricted/Sponsored Funds	376.05	-	376.05
Tuition Carry-Over	330,953.67	-	330,953.67
Uncollectible Accounts Receivable	152,345.10	-	152,345.10
Inventories	9,770.31	-	9,770.31
Surplus	-	32,001.71	32,001.71
Total Ending Fund Balance - June 30	$ 1,325,518.93	$ 32,001.71	$ 1,357,520.64

SECTION II

ENTITY'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DALTON STATE COLLEGE
ENTITY'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION III

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

The auditor is required to communicate to management and those charged with governance control deficiencies identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal control deficiencies identified during the course of this engagement that were considered to be significant deficiencies and/or material weaknesses are presented below:

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-2021-001	Strengthen Segregation of Duties
Compliance Requirement:	Activities Allowed or Unallowed Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P007A200990 (Year: 2021), P033A200990 (Year: 2021), P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	None Identified

Description:
The Institution should strengthen segregation of duties over student financial aid within the student information system.

Background Information:
The Institution relies extensively on the student information system (the system) to create student accounts, award student financial assistance, and disburse this aid to eligible students. Controls over the system are essential for the reliability and integrity of student information and to protect student data from manipulation, corruption, or loss.

Criteria:
As a recipient of federal awards, the Institution is required to establish and maintain effective internal control over federal awards that provides reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.303 – Internal Controls.

Specifically, provisions included in Title 34 CFR Section 668.16 state that "to begin and to continue to participate in any Title IV, HEA [Higher Education Act] program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program. The Secretary considers an institution to have that administrative capability if the institution… (c)(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and (2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs."

Condition:
Our review of the student financial aid business process functions established within the system and related user permissions revealed the following deficiency:

- We found that 24 system users had the ability to control the complete cycle of the student financial aid operation. These users had system functions that gave them the capability to create student accounts, award student financial assistance, and disburse this aid to eligible students.

The details related to this deficiency has been provided to Institution management in accordance with Official Code of Georgia Annotated (OCGA) §50-6-9.

Cause:
We were informed by management that the lack of segregation of duties was the result of a staff shortage. In addition, a review of user account permissions and segregation of duties was not performed appropriately across the entire student and financial services function during the fiscal year.

Effect or Potential Effect:
The deficiency in segregation of duties resulted in noncompliance with federal regulations specific to student financial assistance programs and the Uniform Guidance. In addition, this deficiency represents noncompliance with University System of Georgia directives. Furthermore, failure to maintain adequate internal controls related to segregation of duties could result in the loss or misappropriation of assets, which could go undetected.

Recommendation:
The institution should improve internal controls over the student financial aid business process functions, specifically regarding segregation of duties. Management should follow established policies and procedures to ensure the integrity and accuracy of the information used within the financial statements and as part of awarding financial assistance to students. Additionally, management should ensure that segregation of duties reviews are completed as recommended by the University System of Georgia. Furthermore, the Institution should develop and implement a monitoring process to ensure that controls are followed appropriately.

Views of Responsible Officials:
We concur with this finding.

FA-2021-002 Improve Controls over the Return of Title IV Funds Process

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P007A200990 (Year: 2021), P033A200990 (Year: 2021), P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	$9,422

Description:
The Institution did not properly perform the Return of Title IV funds process to ensure that unearned Title IV funds were returned in a timely manner.

Background Information:
Student financial assistance, or Title IV, funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive. If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the school must perform a Return of Title IV (R2T4) calculation to determine the amount of Title IV assistance earned by the student. Up through the 60% point in each period of enrollment, a pro rata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal. After the 60% point in the period of enrollment, a student is considered to have earned 100% of the Title IV funds the student was scheduled to receive during the period.

The R2T4 calculation is prepared using the following information associated with the period of enrollment:

- The student's Title IV aid information, including amounts disbursed and amounts that could have been disbursed,
- The withdrawal date and scheduled start date, end date, and break days, and
- Institutional charges, including tuition, fees, room, board, books, supplies, materials, and equipment.

In addition, an unofficial withdrawal is one in which the Institution has not received notice from the student that the student has ceased or will cease attending the school. Schools must have a procedure in place to determine when a student who began attendance and received or could have received an initial disbursement of Title IV funds officially withdrew. For these unofficial withdrawals, the Institution must also determine a withdrawal date, which may be the midpoint of the period of enrollment or the last date of an academically related activity in which the student participated.

Criteria:
As a recipient of federal awards, the Institution is required to establish and maintain effective internal control over federal awards that provides reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.303 – Internal Controls.

Provisions included in Title 34 CFR Section 668.22 provide requirements over the treatment of Title IV funds when a student withdraws. The Institution is required to determine the amount of Title IV funds that the student earned as of the student's withdrawal date when a recipient of Title IV funds withdraws from the Institution during a payment period or period of enrollment in which the recipient began attendance. A refund must be returned to Title IV programs when the total amount of the Title IV grant or loan assistance, or both, that the student earned is less than the amount of the Title IV grant and/or loan assistance that was disbursed to the student as of the withdrawal date.

Additionally, provisions included in Title 34 CFR Section 668.22(j) address the timeframe for the return of title IV funds and state "(1) An institution must return the amount of title IV funds for which it is responsible… as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew… (2) For an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the – (i) Payment period or period of enrollment… (ii) Academic year in which the student withdrew; or (iii) Educational program from which the student withdrew."

Condition:
A sample of 15 students from a population of 103 students who received student financial assistance (SFA) and withdrew from the Institution during the Fall 2020 and Spring 2021 semesters was randomly selected for testing using a non-statistical sampling method. The students' R2T4 calculations were reviewed to ensure that the refunds were calculated and returned in the correct amount to the proper funding agency and/or student in a timely manner. The following deficiencies were noted:

- The refund calculations for three students who withdrew during the Fall 2020 semester and one student who withdrew during the Spring 2021 semester were calculated incorrectly due to the use of inappropriate rounding in the calculation of percentage of Title IV aid earned and the use of incorrect data associated with the amount of funds that could have been disbursed. One student was requested to return $564 less than the required amount to various SFA programs, and three students were requested to return $3,419 more than the required amount to various SFA programs.

- The proration between the school and student portion of the refund was incorrect for one student who withdrew during the Spring 2021 semester.

A sample of 40 students from a population of 248 students who received SFA for the Fall 2020 and Spring 2021 semesters and withdrew from the Institution but for whom no R2T4 calculation was performed was randomly selected for testing using a non-statistical sampling method. Attendance and withdrawal records were reviewed to determine if a refund should have been calculated for these students. The following deficiencies were noted:

- R2T4 calculations were not performed appropriately for four students who unofficially withdrew during the Fall 2020 semester and seven students who unofficially withdrew during the Spring 2021 semester. Ten of these students should have been required to return a total of $8,858 to various SFA programs, and one student was owed a post-withdrawal disbursement of $254

- R2T4 calculations were actually performed for an additional four students; therefore, the listing of R2T4 calculations provided for review was not accurate.

Questioned Costs:
Upon testing a sample of $35,914 in financial aid disbursements to students for whom a R2T4 calculation was completed and $97,966 in financial aid disbursements to students who withdrew from the Institution but for whom no R2T4 calculation was performed, known questioned costs of $9,422 were identified for refunds not calculated appropriately or omitted. Using the total population amount of $879,959, we project the likely questioned costs to be approximately $65,094. The following CFDA numbers were affected by the known and likely questioned costs: 84.063 and 84.268.

Cause:
In discussing these deficiencies with management, they stated that human errors and inappropriate rounding within the student information system caused many of the R2T4 calculations performed to be inaccurate. In addition, for the R2T4 calculations that were not performed as required for unofficially withdrawn students, the student statuses were not updated from eligible to register to withdrawn within the student information system appropriately.

Effect or Potential Effect:
These deficiencies may expose the Institution to unnecessary financial strains and shortages. The Institution's portion of the refunds that were not calculated correctly must be returned to the U.S. Department of Education. Though the Institution may attempt to collect the funds from individual students affected by the errors, these collection efforts could be unsuccessful as the students may no longer attend the Institution and/or fail to repay the funds. Additionally, not returning unearned Title IV funds to the U.S Department of Education in a timely manner may result in adverse actions and impact the Institution's participation in Title IV programs.

Recommendation:
The Institution should follow established procedures to ensure that R2T4 calculations are accurate and that unearned funds are returned to the appropriate accounts in a timely manner in accordance with federal regulations. Management should also develop and implement a monitoring process to ensure that controls are operating properly. The Institution should contact the U.S. Department of Education regarding resolution of the finding, as well.

Views of Responsible Officials:
We concur with this finding.

FA-2021-003 Strengthen Controls over Enrollment Reporting

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	None Identified

Description:
Student enrollment information was not reported to required organizations in a timely and accurate manner.

Background Information:
Institutions are required to report enrollment information under the Federal Pell Grant and Federal Direct Student Loans programs via the National Student Loan Data System (NSLDS). Institutions must review, update, and verify student enrollment statuses, program information, and effective dates periodically throughout the award year. The accuracy and timeliness of enrollment information reported by the Institution impacts its ability to properly administer the various Student Financial Assistance programs.

There are two categories of enrollment information reported to the NSLDS:

- Campus-Level, which includes data related to the student's overall enrollment at an institution's campus, and
- Program-Level, which includes data related to the student's program(s) of attendance.

The NSLDS Enrollment Reporting Guide provides institutions the requirements and guidance for reporting these specific campus-level and program-level enrollment details for students.

Criteria:
As a recipient of federal awards, the Institution is required to establish and maintain effective internal control over federal awards that provides reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.303 – Internal Controls.

Regarding the enrollment reporting process, provisions included in Title 34 Section CFR 685.309(b) state that "(1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary – (i) In the manner and format prescribed by the Secretary; and (ii) Within the timeframe prescribed by the Secretary. (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that – (i) … the student has ceased to be enrolled on at least a half-time basis for the period." In addition, per the NSLDS Enrollment Reporting Guide issued by the U.S. Department of Education, students who have received Federal Pell Grant Program funds will be included on the NSLDS roster file received by each institution and are subject to the same enrollment reporting requirements as those students who have received a loan under the William D. Ford Federal Direct Loan Program.

Condition:
A sample of 40 students who received Federal Pell Grant Program and/or Federal Direct Student Loan funds and had a reduction or increase in attendance level, graduated, withdrew, dropped out, or enrolled but never attended during the audit period was randomly selected for testing using a non-statistical sampling method. NSLDS Enrollment Detail information was reviewed for each student to ensure that the Institution accurately reported significant data elements under both the Campus-Level and Program-Level Record. The following deficiencies were identified:

- For nine students, the Enrollment Effective Date and/or Program Enrollment Effective Date reflected on the Campus-Level Record and/or Program-Level Record, respectively, did not agree to the date on which the current enrollment status reported for the student was first effective.

- For 13 students, the Enrollment Status and/or Program Enrollment Status reflected on the Campus-Level and/or Program Level Record, respectively, was not appropriate based upon the student's enrollment status as of the reporting date.

- For one student, the Certification Date reflected on the Campus-Level Record was not within 60 days of the students' change in enrollment.

- For one student, enrollment information related to the Campus-Level and Program-Level Record was not reported to NSLDS at all.

Cause:
In discussing these deficiencies with management, they stated they stated that the code for the three-quarter-time enrollment status was missing in the student information system validation table and led to the deficiencies noted.

Effect or Potential Effect:
The Institution was not in compliance with federal regulations concerning enrollment reporting requirements. Additionally, if enrollment statuses are not submitted appropriately to NSLDS by the Institution, loan interest subsidies may be negatively affected, deferments of Federal Direct Student Loans may be continued in error, loan repayment dates could be recorded incorrectly, and the compilation of data associated with other Title IV aid programs could be adversely affected.

Recommendation:
The Institution should follow established policies and procedures to ensure that all changes in student enrollment statuses are reported in accordance with timeframes prescribed by the U.S. Department of Education. Additionally, management should develop and implement a monitoring process to ensure that controls are operating properly.

Views of Responsible Officials:
We concur with this finding.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

Due Diligence for Student and Uncollectible Accounts Receivable

Observation:
The Institution did not follow established policies and procedures over the due diligence process for student and uncollectible accounts receivable as described in the University System of Georgia Business Procedures Manual Section 10 Accounts Receivable. Section 10.6.1 '*Past Due Notices*' outlines the actions required for collection of receivables. The Institution should send past due notices at 30, 60 and 90 days after the past due date and the account should be referred to a collection agency after 120 to 180 days past the due date if it has been determined that all good faith collection efforts have been exhausted.

Our review of twenty-one accounts receivables identified that nineteen student accounts did not have appropriate past due notices sent at 30, 60, 90 days as required.

Recommendation:
The Institution should perform the due diligence procedures outlined in the University System of Georgia Business Procedures Manual.

Student Financial Assistance Awarding Process

Observation:
A sample of 40 students who received student financial assistance (SFA) was selected for testing to determine if financial assistance was properly calculated and disbursed to eligible students. One student in the sample was awarded less Federal Direct Student Loan funds than they were eligible to receive. In addition, transfer monitoring and the NSLDS process used to obtain financial aid history were not performed in a timely manner for four students. Furthermore, a credit balance was not provided to one student within 14 days of the date the balance was created. Provisions included in Title 34 CFR Section 668 provide general provisions for administering SFA programs and Title 34 CFR Sections 675, 676, 685, and 690 provide eligibility and other related program requirements that are specific to the FWS Program, FSEOG Program, Federal Direct Student Loans Program, and Federal Pell Grant Program, respectively.

Recommendation:
The Institution should review its processes and procedures for determining each student's financial aid eligibility. Where vulnerable, the Institution should develop and/or modify its policies and procedures to ensure that correct amounts will be awarded to students in conformity with federal requirements. Furthermore, the Institution should develop and implement a monitoring process to ensure that controls are functioning properly.

SECTION IV

MANAGEMENT’S CORRECTIVE ACTION

DALTON STATE

DALTON STATE COLLEGE

650 College Drive
Dalton, GA 30720
706-272-4436
800-829-4436
www.daltonstate.edu

DALTON STATE COLLEGE
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2021

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA-2021-001 Strengthen Segregation of Duties

Compliance Requirement:	Activities Allowed or Unallowed Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P007A200990 (Year: 2021), P033A200990 (Year: 2021), P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	None Identified

Description:
The Institution should strengthen segregation of duties over student financial aid within the student information system.

Corrective Action Plans:
We concur with this finding. Since the review was completed, the Office of Financial Aid and the Bursar's Office have worked with the Office of Computer Information System (OCIS) to reduce the number of employees with multi-level access in Banner from 24 to 5. Unfortunately, due to limited staffing at DSC, it is nearly impossible to restrict access to all 24 individuals as some of those individuals have multiple job duties that require they have multi-level access in Banner. However, OCIS is aware that the institution needs mitigating controls in place for these staff members and therefore they are working with ITS to implement fine grain auditing in Banner and the institution will also begin performing the SOD matrix on a quarterly basis.

Description:
The Institution should strengthen segregation of duties over student financial aid within the student information system.

Estimated Completion Date: 12-15-2021
Contact Person: Carol Jones
Title: SFA Director
Telephone: 706-272-2526
Email: cjones@daltonstate.edu

DALTON STATE COLLEGE
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2021

DALTON STATE COLLEGE

650 College Drive
Dalton, GA 30720
706-272-4436
800-829-4436
www.daltonstate.edu

FA-2021-002 **Improve Controls over the Return of Title IV Funds Process**

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P007A200990 (Year: 2021), P033A200990 (Year: 2021), P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	$9,422

Description:
The Institution did not properly perform the Return of Title IV funds process to ensure that unearned Title IV funds were returned in a timely manner.

Corrective Action Plans:
We concur with this finding. The Office of Student Financial Aid has worked in conjunction with the Registrar's Office and the Office of Computing and Information Systems (OCIS) to streamline the collection of information on students who unofficially withdraw. Faculty who input grades of F or WF are required to enter a last date of attendance in Banner. The Registrar's Office will be able to use that last date of attendance to identify students who stopped attending without completing an official withdrawal. Those students will then be considered to be Unofficial Withdrawals and will have calculations performed.

Estimated Completion Date: 12-15-2021

Contact Person: Carol Jones
Title: Interim SFA Director
Telephone: 706-272-2526
Email: cjones@daltonstate.edu

DALTON STATE COLLEGE
650 College Drive
Dalton, GA 30720
706-272-4436
800-829-4436
www.daltonstate.edu

DALTON STATE COLLEGE
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2021

FA-2021-003 Strengthen Controls over Enrollment Reporting

Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Numbers and Titles:	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Award Numbers:	P063P202464 (Year: 2021), P268K212464 (Year: 2021)
Questioned Costs:	None Identified

Description:
Student enrollment information was not reported to required organizations in a timely and accurate manner.

Corrective Action Plans:
We concur with this finding. Students who were enrolled ¾ time were not being reported in previous semesters. Upon notification of this error, the Registrar's Office added the necessary coding to the student management system to properly report this enrollment information to NSLDS.

Estimated Completion Date: 09-29-2021

Contact Person: Carol Jones
Title: Interim SFA Director
Telephone: 706-272-2526
Email: cjones@daltonstate.edu

Margaret H Venable
Dr. Margaret H. Venable
President, Dalton State College